Michigan Department of Treasury 496 (02/06)

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l			vernment Typ	e			Local Unit Na			County	
	Coun	•	City	⊠Twp	□Village	Other	Township	of Columbia		Tuscola	
	al Yea 31/06				Opinion Date 05/26/06			Date Audit Report Submitte 07/18/06	d to State		
We a	ffirm	that	:					<u> </u>			
We a	re c	ertifie	ed public ad	countants	licensed to p	ractice in M	1ichigan.				
We f Man	urthe agen	er affi nent l	rm the follo _etter (repo	owing mate ort of comi	erial, "no" resp ments and rec	oonses hav ommendat	e been disclo ions).	osed in the financial statem	ents, incl	uding the notes, or in the	
	YES	9	Check ea	ich applic	able box bel	ow. (See in	structions fo	r further detail.)			
1.		X			nent units/fund es to the finan				ancial stat	tements and/or disclosed in the	
2.	×							unit's unreserved fund bala budget for expenditures.	ances/unr	estricted net assets	
3.	×		The local	unit is in c	compliance wi	th the Unifo	orm Chart of	Accounts issued by the De	partment	of Treasury.	
4.	X		The local	unit has a	dopted a bud	get for all re	equired funds	3.			
5.	X		A public h	earing on	the budget w	as held in a	ccordance w	vith State statute.			
6.	X		The local other guid	unit has n lance as is	ot violated the ssued by the I	Municipal ocal Audit	Finance Act and Finance	, an order issued under the Division.	Emerger	ncy Municipal Loan Act, or	
7.	\boxtimes		The local	unit has n	ot been delind	quent in dis	tributing tax	revenues that were collecte	ed for ano	other taxing unit.	
8.	×		The local	unit only h	olds deposits	/i nves tmen	ts that comp	ly with statutory requireme	nts.		
9.	×		The local Audits of	unit has n <i>Local Unit</i>	o illegal or un s <i>of Governm</i>	authorized e <i>nt in Michi</i>	expenditures igan, as revis	s that came to our attention sed (see Appendix H of Bu	as define lletin).	ed in the <i>Bulletin for</i>	
10.	X		that have	not been (previously cor	nmunicated	to the Loca	ement, which came to our a I Audit and Finance Division t under separate cover.	attention on (LAFD)	during the course of our audit . If there is such activity that has	
11.	X		The local	unit is free	e of repeated	comments t	from previou	s years.			
12.	×		The audit	opinion is	UNQUALIFIE	D.					
13.	×		The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).								
14.	X		The board	or counc	il approves ali	invoices pi	rior to payment as required by charter or statute.				
15.	×		To our kno	owledge, I	oank reconcilia	ations that v	were reviewe	ed were performed timely.			
15. 🗵 🗍 To our knowledge, bank reconciliations that were reviewed were performed timely. If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission. I, the undersigned, certify that this statement is complete and accurate in all respects.											
			losed the			Enclosed		ed (enter a brief justification)			
Fina	ıncia	l Stat	tements	_		\boxtimes		· · · · · · · · · · · · · · · · · · ·			
The	lette	r of (Comments	and Reco	mmendations		No letter	of comments or recomn	nendatio	ns prepared	
	<u> </u>	escribe			***						
			ccountant (Fir	-				Telephone Number			
	t Addı		aupel, P.	O., OFA			···	(989) 883-3122 City	State	Zip	
			in Street				į	Sebewaing	MI	48759	
Auth	orizing	CPA	Signature	D.0	Dria Co	Pri	nted Name		License N	Number	

TOWNSHIP OF COLUMBIA TUSCOLA COUNTY, MICHIGAN

FINANCIAL REPORT MARCH 31, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Members Township of Columbia Unionville, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Township of Columbia, Tuscola County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township of Columbia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Columbia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Township of Columbia, Tuscola County, Michigan, at March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mietzke & Faupel, PC

SEBEWAING, MICHIGAN

May 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Columbia Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The following points represent the most significant financial highlights for the year ended March 31, 2006. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the general fund increased from \$195,258 to \$212,507 during the past year. This increase of \$17,249 is due primarily from cutting costs.
- State Revenue Sharing payments for the year totaled \$55,593. This was \$793 lower than the budgeted amount of \$54,800. For comparison, the State Revenue Sharing payments for fiscal year 2004-05 totaled \$59,063.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view used the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows a condensed view of the net assets as of March 31, 2006:

Current assets Noncurrent assets Total assets	Governmental
Current liabilities Noncurrent lliabilities Total liabilities	\$ 19,964 301,322 \$ 321,286
Net assets: Invested in capital assets Unrestricted Total net assets	\$ 301,887 553,745 \$ 855,632

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$553,745. This is approximately 65% of the net assets for governmental activities.

The following table shows the changes of the net assets during the year ended March 31, 2006.

	Governmental <u>Activities</u>
Revenue:	
Program revenues:	
Charges for services	\$ 41,472
Operating grants	6,478
General revenues:	
Property taxes	216,444
State shared revenues	59,029
Unrestricted investment earnings	8,770
Miscellaneous	<u>3,240</u>
Total revenues	<u>335,433</u>
Expenses:	
General government	48,147
Public safety	44,643
Highways & public improvements	107,211
Sanitation	17,812
Library	<u>77,707</u>
Total expenses	<u>295,520</u>
Change in net assets	39,914
Net assets - Beginning	<u>815,718</u>
Net assets - Ending	\$ <u>855,632</u>

Government Activities

This is the first year of implementation GASB No. 34. Because of this, comparative information on a government-wide basis is not available for this year, but it will be presented in the Management's Discussion and Analysis for the year ending March 31, 2008.

Capital Assets

As of March 31, 2006, Columbia Township had a total of approximately \$623,173 (net of depreciation) invested in capital assets including land, building, and equipment. The Township recently acquired additional property to expand their library services and also update and expand the township offices. The total cost of the new library building and township office was \$476,233. The library fund purchased the property in 2003 for \$85,000 which is included in the total amount. The funding for the new building is being funded by the general fund and additional financing through a local bank. The total amount of the note payable to the bank on March 31, 2006 is \$321,286.

Economic Factors and Next Years Budgets and Rates

This fiscal year budget for 2005-06 is at \$382,600, which is \$25,977 more than the 2004-05 fiscal year of \$356,623. In comparison the budget was increased in 2005-06 for an increase in cost of drains at large. General fund drains have increased approximately 15% in the last year. The general fund budget also allows for annual payments of principal and interest payments for the new township building.

The township's property tax millage for 2005-06 is 5.3798. The millage is up for renewal in 2006.

The fiscal year budget adopted for 2006-07 is \$356,500 broken down as follows: General fund \$132,500, Fire and Ambulance fund \$44,000, Roads \$129,800, Garbage and Rubbish Collection fund \$21,800, and Library fund \$28,400.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Sally Zimmer, Township Clerk, 6822 N. Unionville Rd., Unionville, MI 48767.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF COLUMBIA, TUSCOLA COUNTY, MICHIGAN

STATEMENT OF NET ASSETS MARCH 31, 2006

	GOVERNMENTAL <u>ACTIVITIES</u>
<u>ASSETS</u>	
Current assets:	
Cash	\$ 530,357
Taxes receivable	23,388
Total current assets	553,745
Noncurrent assets:	
Nondepreciated assets	150,578
Capital assets	660,961
Less accumulated depreciation	(188,366)
Total noncurrent assets	623,173
TOTAL ASSETS	1,176,918
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities:	
Current portion of long-term obligations	19,964
Noncurrent liabilities:	
Note payable - Library building	321,286
Less: Current portion	(19,964)
Total noncurrent liabilities	301,322
TOTAL LIABILITIES	321,286
	<u> </u>
NET ASSETS	
Invested in capital assets, net of related debt	301,887
Unrestricted	553,745
TOTAL NET ASSETS	\$ 855,632

STATEMENT OF ACTIVITIES MARCH 31, 2006

			PROGRAM REVENUE OPERATING	CAPITAL	NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS	NUES & CHANGES IN	I NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
Governmental Activities							
General government	\$ 48,147	\$ 875			\$ (47,272)		\$ (47,272)
Highways and public improvements	107.211				(44,643)		(44,643)
Sanitation	17,812	19,080			1.268		1.268
Library	77,707	21,517	\$ 6.478		(49.711)		(49.711)
Total Governmental Activities	\$ 295,520	\$ 41,472			(247,570)		(247,570)
		General Revenue:	ne:				
		Property taxes	"		216,444		216,444
		State shared revenues	evenues		59,029		59,029
		Unrestricted in	Unrestricted investment earnings		8,770		8,770
		Miscellaneous			3,240		3,240
		Total genera	neral revenues		287,484		287,484
		d					
		Cnange	Cnange in net assets		39,914		39,914
		Net assets - be	beginning		815,718		815,718

\$ 855,632

\$ 855,632

Net assets - ending

TOWNSHIP OF COLUMBIA BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

	GENERAL	LIBRARY	FIRE AND AMBULANCE	ROAD FUND	GARBAGE <u>FUND</u>	TOTAL GOVERNMENTAL <u>FUNDS</u>
ASSETS Cash and cash deposits	\$ 212,507	\$ 21,815	\$ 90,688	\$ 153,833	\$ 51,514	\$ 530,357
TOTAL ASSETS	\$ 212,507	\$ 21,815	\$ 90,688	\$ 153,833	\$ 51,514	\$ 530,357
FUND EQUITY Unrestricted	\$ 212,507	\$ 21,815	\$ 90,688	\$ 153,833	\$ 51,514	\$ 530,357
TOTAL LIABILITIES AND FUND EQUITY	\$ 212,507	\$ 21,815	\$ 90,688	\$ 153,833	\$ 51,514	\$ 530,357

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENTAL ACTIVITIES NET ASSETS MARCH 31, 2006

Total governmental fund balances	\$ 530,357
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$811,539 less the accumulated depreciation of \$188,366.	623,173
Delinquent taxes receivable are not current financial resources for the governmental funds.	23,388
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(321,286)
Net assets - governmental activities	\$ 855,632

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL	LIBRARY	FIRE AND AMBULANCE	ROAD <u>FUND</u>	GARBAGE <u>FUND</u>	TOTAL GOVERNMENTAL <u>FUNDS</u>
REVENUE: Taxes	\$ 63,568		\$ 36,948	\$ 110,843		\$ 211,359
Intergovernmental Fines	59,029	\$ 5,071 13.629				64,100 13,629
Charges for services Miscellaneous	875 7.429	10.418	1 066	1 823	\$ 19,200	20,075
TOTAL REVENUE	130,901	29,118	38,014	112,666	19,769	330,468
EXPENDITURES:						
Township board	12,549					12,549
Supervisor	14,374					14,374
Elections	738					738
Clerk	9,144					9,144
Board of review	844					844
Treasurer	9,538					9,538
Buildings and grounds	853					853
Cemetery	3,673					3,673
Drains at large	26,716					26,716
Library		39,483				39,483
Debt service	35,223					35,223
Fire and ambulance			44,643			44,643
Roads				107,211		107,211
Garbage and rubbish					17,812	17,812
TOTAL EXPENDITURES	113,652	39,483	44,643	107,211	17,812	322,801
EXCESS OF REVENUE OVER						
(UNDER) EXPENDITURES	17,249	(10,365)	(6,629)	5,455	1,957	799,7
FUND BALANCE-APRIL 1	195,258	32,180	97,317	148,378	49,557	522,690
FUND BALANCE-MARCH 31 The accompanying notes are an integral	\$ 212,507	\$ 21,815	\$ 90,688	\$ 153,833	\$ 51,514	\$ 530,357

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The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES MARCH 31, 2006

Net change in fund balances - governmental funds		\$	7,667	
Amounts reported for governmental activities in the statement are different because:	of activities			
Governmental funds report capital outlays as expenditures. H Statement of Activities, the cost is allocated over their estimand reported as depreciation expense. This is the amount be capital outlays exceeded depreciation in the current period.	ated useful lives			
Capital outlays				
Capital outlays \$ 36,874 Depreciation expense (9,593)				
Property taxes receivable will not be collected for several mone end of the Township's fiscal year therefore, they are not con "available" revenues in the governmental funds and are, insteadeferred tax revenues. They are, however, recorded as rev statement of activities.	sidered as tead, counted as			
Taxes receivable - beginning of year	(18,422)			
Taxes receivable - end of year	23,388		4,966	

39,914

Change in net assets of governmental activities

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Township Operations:

The Township is located in Tuscola County, Michigan, and has approximately 1,456 residents. It is governed by a five person elected board and provides the following services to its residents: fire and ambulance protection, highways and streets, library and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Township has elected to implement the general provisions of the Statement in the current year.

Reporting Entity:

In evaluating how to define the Township of Columbia for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township of Columbia is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no component units that should be included in the Township's reporting entity.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government-Wide and Fund Financial Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, and library, are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Township of Columbia has no proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

<u>General Fund</u> – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

<u>Special Revenue Funds</u> — Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Township accounts for the following special revenue funds.

The Fire and Ambulance Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide ambulance and fire fighting services to Township residents. The Library Fund is a special revenue fund used to account for revenue from state penal fines and other revenue allocated to the operation of the Township of Columbia Library. The Garbage and Rubbish Collection Fund is a special revenue fund used to account for assessments collected allocated to collection of refuse. The Roads Funds are special revenue funds used to account for revenue from current property taxes allocated to provide for maintenance and construction of Township of Columbia roads.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The Township reports no nonmajor fund types:

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2006 consist of property taxes. Taxes are deemed collectible in full; therefore no allowance for doubtful accounts has been reported.

Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Tuscola. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

<u>Assets</u>	<u>Years</u>
Buildings	7 to 40
Machinery and equipment	3 to 7
Books, videos, and DVD's	5

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2006 was \$9,593. Capital asset acquisitions in the governmental funds totaled \$36,874 for the year ended March 31, 2006. A summary of Governmental Fund capital assets at March 31, 2006, follows:

Land	\$150,578
Buildings	430,093
Equipment	230,868
Less accumulated depreciation	(<u>188,366)</u>
Net governmental fund capital assets	\$ <u>623,173</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:

General government	\$6,593
Library	<u>3,000</u>
Total depreciation expense – governmental activities	\$9,593

Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – BUDGET COMPLIANCE:

The Township of Columbia Board follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 2 – BUDGET COMPLIANCE: (CONTINUED)

- 1. In accordance with the Township Act, prior to March 1, the Township of Columbia Clerk submits to the Township of Columbia Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
- 2. Public hearings are conducted to obtain taxpayer comment.
- 3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
- 4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- 5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 6. Appropriations lapse at the end of each fiscal year.
- 7. The Township of Columbia Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

NOTE 3 - DETAIL NOTES ON ALL FUNDS:

A. The carrying amount of cash and deposits with financial institutions of the Township of Columbia amounted to \$530,357 at March 31, 2006. The total bank balance as of the same date was \$531,466. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC \$314,715
Uncollaterized 216,751
Total deposits with financial institutions \$531,466

All deposits categorized as uncollateralized are the property of the Township of Columbia.

The amount of uncollaterized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2006.

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. The Township's investment policy limits its authorized investments to the (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 3 - DETAIL NOTES ON ALL FUNDS: (CONTINUED)

following: checking accounts, savings accounts and certificates of deposits at financial institutions that are insured by the Federal Deposit Insurance Corporation. However, the investment policy does not address the custodial credit risk associated with the deposits in financial institutions in excess of insured limits. The township's deposits and investments are within the authorization as set forth by the Township of Columbia.

B. Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2005 tax levy is as follows:

	ASSESSED	TAXABLE
	<u>VALUE</u>	<u>VALUE</u>
Real property-Regular roll	\$43,754,700	\$37,042,366
Personal property-Regular roll	<u>1,184,500</u>	<u>1,184,500</u>
TOTAL	\$ <u>44,939,200</u>	\$ <u>38,226,866</u>

C. The Township of Columbia has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Columbia reimburses the State of Michigan for all benefits charged.

NOTE 4 – LONG-TERM OBLIGATIONS:

The Township purchased a vacant building in 2003. The Township's plans for the newly acquired building were to expand their library services and remodel and enhance their Township offices. This plan required extensive construction and therefore financing was required for this project. Financing in the amount of \$342,806, approved by the State of Michigan was obtained from Independent Bank for the construction. The loan approval amount was \$400,000. The amount of the note payable as of March 31, 2006 is \$321,286. Interest expense incurred for the fiscal year ended March 31, 2006 was \$10,398 and reported in the governmental funds. The interest was capitalized for the government wide statements. The note is a direct obligation of the Township and is pledged by the full faith and credit of the Township of Columbia.

Long-term obligation activity can be summarized as follows:

	BALANCE			BALANCE	AMOUNT DUE
	<u>4/1/05</u>	<u>ADDITION</u>	<u>PAYMENT</u>	<u>3/31/06</u>	WITHIN ONE YEAR
Note Payable	\$ <u> - </u>	\$ <u>342,806</u>	\$21,520	\$ <u>321,286</u>	\$ <u>19,964</u>

The interest rate is 4% per annum due in semi-annual payments of \$15,000 including interest each May 1 and October 1 starting on May 1, 2006. The note matures on December 19, 2012.

The annual requirement to amortize the long-term obligation as of March 31, 2006, including interest of \$72,587, are as follows:

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2006

NOTE 4 – LONG-TERM OBLIGATIONS: (CONTINUED)

Years ending	
March 31,	<u>Total</u>
2007	\$ 30,000
2008	30,000
2009	30 000
2010	30 000
2011	30,000
2012-2013	<u>243,873</u>
	\$393,873

NOTE 5 - RISK MANAGEMENT:

The Township of Columbia, Tuscola County, Michigan participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$1,127,979 for real and personal property losses and \$5 million for liability losses. The Township of Columbia, Tuscola County, Michigan is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation:

The Township of Columbia, Tuscola County, Michigan, participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Employee Health Care:

No health benefits are provided.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	BIID		VARIANCE	
	<u>BUD</u> ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUE:	ORIGINAL	FINAL	ACTUAL	(ONFAVORABLE)
Taxes	\$ 69,236	\$ 69,236	\$ 63,568	\$ (5,668)
Intergovernmental	56,300	56,300	59,029	2,729
Charge for services	300	300	875	575
Miscellaneous	1,800	1,800	7,429	5,629
TOTAL REVENUE	127,636	127,636	130,901	3,265
EXPENDITURES:				
Township board	12,000	12,600	12,549	51
Supervisor	15,000	15,000	14,374	626
Elections	2,000	2,000	738	1,262
Clerk	8,500	9,200	9,144	56
Board of review	1,000	1,000	844	156
Treasurer	9,700	9,700	9,538	162
Buildings and grounds	1,000	1,000	853	147
Cemetery	6,000	6,000	3,673	2,327
Drains at large	45,200	38,676	26,716	11,960
Debt service	30,000	35,224	35,223	1
TOTAL EXPENDITURES	130,400	130,400	113,652	16,748
EXCESS OF REVENUE OVER				
(UNDER) EXPENDITURES	(2,764)	(2,764)	17,249	20,013
FUND BALANCE-APRIL 1	195,258	195,258	195,258	
FUND BALANCE-MARCH 31	\$ 192,494	\$ 192,494	\$ 212,507	\$ 20,013

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - LIBRARY FUND FOR THE YEAR ENDED MARCH 31, 2006

					VARIANCE
	BUDGET				FAVORABLE
BEVENUE	<u>OF</u>	RIGINAL	<u>FINAL</u>	<u>ACTUAL</u>	(UNFAVORABLE)
REVENUE:					
Intergovernmental:	_				
Federal grant	\$	4,200	\$ 4,200	\$ 3,945	\$ (255)
State grant		3,000	3,000	1,126	(1,874)
Fines:					
Penal and book fines		18,000	18,000	13,629	(4,371)
Miscellaneous:					
Miscellaneous		2,400	2,400	2,865	465
Interest earnings		200	200	369	169
Contributions from private sources		500	500	520	20
Videos		3,500	3,500	6,664	3,164
TOTAL REVENUE		31,800	31,800	29,118	(2,682)
EXPENDITURES:					
Salaries and wages				18,629	
Employee benefits				1,425	
Supplies				1,909	
Books, magazines and periodicals				3,250	
Videos, DVD's				4,070	
Summer reading program				574	
Membership dues				929	
Telephone				876	
Mileage				221	
Printing				103	
Insurance				2,004	
Utilities				4,939	
Repairs and maintenance				28	
Miscellaneous				206	
Capital outlay				320	
TOTAL EXPENDITURES		38,000	39,500	39,483	
EVOCOS OF DEVENUE (UNDED)					
EXCESS OF REVENUE (UNDER)					
EXPENDITURES		(6,200)	(7,700)	(10,365)	(2,665)
FUND BALANCE-APRIL 1		32,180	32,180	32,180	
FUND BALANCE-MARCH 31	\$	25,980	\$ 24,480	\$ 21,815	\$ (2,665)

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - FIRE AND AMBULANCE FUND FOR THE YEAR ENDED MARCH 31, 2006

	BUDO	<u>SET</u>		VARIANCE FAVORABLE
REVENUE:	ORIGINAL	FINAL	<u>ACTUAL</u>	(UNFAVORABLE)
Taxes-Current property tax Miscellaneous - Interest earnings	\$ 40,588 900	\$ 40,588 900	\$ 36,948 1,066	\$ (3,640) 166
TOTAL REVENUE	41,488	41,488	38,014	(3,474)
EXPENDITURES: Salaries and wages Employee benefits Fire and emergency service assessments			1,312 100 43,231	
TOTAL EXPENDITURES	41,000	44,700	44,643	57
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	488	(3,212)	(6,629)	(3,418)
FUND BALANCE-APRIL 1	97,317	97,317	97,317	
FUND BALANCE-MARCH 31	\$ 97,805	\$ 94,105	\$ 90,688	\$ (3,418)

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL - ROAD FUND FOR THE YEAR ENDED MARCH 31, 2006

	BUD	VARIANCE FAVORABLE		
	ORIGINAL	FINAL	ACTUAL	(UNFAVORABLE)
REVENUE:				
Taxes - Current property tax	\$ 121,766	\$121,766	\$ 110,843	\$ (10,923)
Miscellaneous - Interest earnings	600	600	1,823	1,223
TOTAL REVENUE	122,366	122,366	112,666	(9,700)
EXPENDITURES:				
Road maintenance			47,685	
Road brining			9,450	
Road construction			22,637	
Road survey			27,439	
TOTAL EXPENDITURES	148,000	148,000	107,211	40,789
EXCESS OF REVENUE OVER				
(UNDER) EXPENDITURES	(25,634)	(25,634)	5,455	31,089
FUND BALANCE-APRIL 1	148,378	148,378	148,378	
FUND BALANCE-MARCH 31	\$ 122,744	\$122,744	\$ 153,833	\$ 31,089

SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GARBAGE AND RUBBISH COLLECTION FUND FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET			VARIANCE FAVORABLE		
	ORIGINAL	<u>FINAL</u>	ACTUAL	(UNFAVORABLE)		
REVENUE:	<u>OTTO ITT LE</u>	HAL	AOTOAL	TOIN AVOITABLE		
Charges for services	\$ 20,960	\$ 20,960	\$ 19,200	\$ (1,760)		
Miscellaneous - Interest earnings	375	375	Ψ 19,200 569	194		
TOTAL REVENUE	21,335	21,335	19,769	(1,566)		
EXPENDITURES:						
Wages			1,490			
Employee benefits			114			
Insurance			371			
Equipment rental			15,827			
Miscellaneous			10			
TOTAL EXPENDITURES	20,000	20,000	17,812	2,188		
EXCESS OF REVENUE						
OVER EXPENDITURES	1,335	1,335	1,957	622		
FUND BALANCE-APRIL 1	49,557	49,557	49,557			
FUND BALANCE-MARCH 31	\$ 50,892	\$ 50,892	\$ 51,514	\$ 622		